

Finding**Supporting Observation****Facilitating Condition****Plan of Action****Target Date**

#2

Internal Controls over purchasing were inadequate -

- Of 999 purchase orders and 2,730 invoices totaling \$2,947,137 reviewed.

* no purchase order or P.O. reference

was found for 13% of the invoices totaling \$345,106.

* no purchase order pricing was found for \$622,582 of the invoiced total.

* Freight payment terms were absent or unclear.

* Payment terms were omitted from purchase order or when offered were not always taken.

* Discount lost was \$1,906 on 220 invoices.

* Additions and deletions were made to standing orders without change orders.

* 9% of purchase orders contained prices differing from those invoiced. Net difference was \$252.

Many of the items identified were routine, repetitively purchased products that were ordered and received despite the lack of referenced purchase orders. Invoice approving supervisor reviewed pricing for reasonableness based on knowledge of historical costs. Terms and conditions were omitted based on an assumption of consistency with past practice.

Investigation of pricing differences must always be subject to a cost/benefit analysis i.e. are differences worth the time spent in inquiry.

Proposed automated purchase order system will require all relevant data to be completed before P.O. is produced.

Automatic routing of purchase orders to multiple users. Will also prevent misplacement.

Staff authorized to purchase will be instructed as to purchasing requirements.

Internal Control Coordinator will monitor for compliance.

2nd Quarter
2000

Ongoing

1st Quarter
2000